Md Touhidul Alam Khan

Standard Bank holds customer service training

STAR BUSINESS DESK

Md Touhidul Alam Khan, additional managing director of Standard Bank, inaugurated a two-day workshop on "Excellence in Customer Service", on February 24.

The event was organised by the lender's training institute in Dhaka.

Mohammad Mohon Miah, coordinator of the IBCP, and Mohammad Amzad Hossain Fakir, faculty of the training institute, were also present.

Alibaba aims big as it enters local food delivery market

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By investing in infrastructure, technology and human resources, Daraz has the ability to take HungryNaki to new heights.

Launched in 2013, HungryNaki, serves more than 500,000 customers across Dhaka, Chattogram, Sylhet, Cox's Bazar, and Narayanganj through its network of over 4,000 restaurants.

It was a success story till 2018. After that, it came under severe competition when two new players -- Shohoz Food and Pathao Food -- entered the market.

The following year, Uber Eats arrived and soon gained popularity with its solid service.

However, Uber Eats abruptly left in June last year as the ongoing pandemic made a serious dent in its business.

The brutal heat of the pandemic was also felt by HungryNaki.

In the early stages of the coronavirus outbreak, the business had declined over 70 per cent due to restaurant closures, said AD Ahmad, CEO and Co-founder of HungryNaki, earlier.

In a bid to survive, HungryNaki provided full Qurbani services during the last Eid-ul-Azha. Replying to a question regarding the sale of the platform to Daraz, Ahmad said it was really a moment of joy for a home-grown company to be able to attract a global company as a buyer.

Industry insiders were, however, critical, saying the development set a bad precedent as it shows that local startups can't survive on their own.

Some said the move would create uneven competition in the market, where over half a dozen of e-commerce platforms are operating.

"It would have been better if Daraz had just bought a stake in HungryNaki instead," said an industry insider, preferring anonymity.

Usually, acquisitions like this cost a lot of money, but HungryNaki was sold at a very low price, he said.

"This is frustrating as only Alibaba is the winner in this case," he added.

Other market players think this move will create uneven competition in the market.

"Daraz's recent acquisition provides market validation for the emerging consumer technology sector in Bangladesh," Hussain Elius, co-founder and CEO of Pathao, told The Daily Star yesterday.

"However, it also illustrates how the lack of an enabling policy environment cedes the market towards colonisation."

"To build a truly digital Bangladesh, we need to allow local champions to emerge, grow, thrive and build the critical digital infrastructure of the country."

DARAZ TO FACE STIFF COMPETITION

Daraz has big dreams for HungryNaki.

"We want to be the second leading market player in six months and the leading one within a year," said Daraz Managing Director Hoq.

But to turn the dream into reality, the e-commerce giant will have to face a gruelling battle with other competitors.

"Consumer discount battles will start, leading all players to bleed more than before," said Maliha M Quadir, founder of Shohoz. Daraz is likely to face fierce competition from Foodpanda and Efood.

Foodpanda, a subsidiary of Berlin-based Delivery Hero, began its journey in Bangladesh in December 2013 with limited operations in Dhaka.

Through its seven-year journey, Foodpanda has expanded its operation to all 64 districts of the country, a first among its peer companies.

The local food and grocery delivery market has potential for growth as most of the market is still offline and would greatly benefit from digitalisation, said Ambareen Reza, managing director and co-founder of Foodpanda Bangladesh.

The market will also benefit from the high internet penetration and fast smartphone adoption rate in the country.

Efood, the food delivery arm of local e-commerce platform Evaly, is one of the fastest-growing food delivery platforms in the country.

In less than a year since its inception, Efood now makes around 10,000 deliveries per day from 4,700 restaurants to customers in eight cities, including Dhaka, Chattogram, Cox's Bazar and Sylhet.

Other potential competitors include Pathao Food, which has 9,000 registered restaurants and operates in Dhaka, Chattogram and Sylhet, and Shohoz Food, which has 5,000 registered restaurants.

DARAZ'S GROWING DOMINANCE

After Daraz's integration with Alibaba, it mainly brought changes to the technological side.

As a part of that vision, in early June, Daraz announced its plans to invest Tk 500 crore by 2021 to set up logistics infrastructure and hubs that would help expand its foothold across the country.

A big chunk of that investment has already been utilised for different purposes, including the purchase of over 100 vehicles to help Daraz mail products to all districts.

"We are equipped with the logistic infrastructure that Alibaba uses," Hoq told The Daily Star in an interview last year.

And now, Daraz has its own logistics facilities all over the county.

The e-commerce platform is now building a sorting centre and warehouse with an investment of about Tk 150 crore. It will employ 2,000 people.

Daraz currently makes over 65,000 deliveries per day. According to experts, the annual food delivery market stands at Tk 1,200 core.

Some 20,000 people work as freelance delivery persons, and another 5,000 are employed by the platforms. Around 1.1 lakh food deliveries are made each day.

Excess liquidity falls after 8 months

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Some of them argued that investment was yet to turn around. And depositors had shied away from banks because of a lower interest rate on deposit products.

The other MDs thought that credit demand rose a bit, putting a positive impact on the liquidity situation in the banking industry.

Between June and December last year, the excess fund increased by Tk 10,000 crore to Tk 12,000 crore per month on average.

Despite the fall in January, private sector credit growth went down to 8.32 per cent in the first month of 2021, down from 8.37 per cent a month earlier, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

"It showed that investment demand from the private sector is still feeble," he said.

The majority of lenders now offer 3-4 per cent interest rate on fixed deposit schemes, upsetting depositors. Inflation stood at 5.02 per cent in January, meaning that the real interest rate is in negative.

"Such a phenomenon may create an asset bubble in an economy," Rahman said. People now explore alternative ways to invest, such as capital market, land and savings certificates, to get higher returns than depositing money in banks.

"This helped lessen the excess liquidity in January," Rahman said.

Faruq Mainuddin, an immediate past managing director of Trust Bank, said credit demand showed no signs of improvement.

Some banks disbursed funds in January that were sanctioned earlier to keep lower the provision against the disbursed fund, he said.

Selim RF Hussain, managing director of Brac Bank, said credit demand from businesses had increased slightly, but the trend was yet to reach a satisfactory level.

Many businesses are still adopting a slow-go policy to expand businesses as they think that there will be uncertainties in the days to come, he said.

Many garment factories are struggling to survive as the majority of countries in North America, and Europe still face economic hardship.

Abul Kashem Md Shirin, managing director of Dutch-Bangla Bank Ltd, said that his bank witnessed an increase in credit demand in January.

"But, there is no scope to be complacent as the trend of credit demand is still insufficient given the size of the economy," he said.

Arif Khan, managing director of IDLC Finance, termed the decline in excess liquidity a positive indication.

He went on to express the hope that the surplus fund would decrease to a large extent within June this year.

Both the government and the central bank rolled out a number of stimulus packages as part of their efforts to tackle the economic meltdown deriving from the pandemic.

The total amount of financial assistance now stands at Tk 124,053 crore, which is 4.44 per cent of the GDP.

This has contributed to the growth of excess liquidity at a time when the credit demand has sharply declined.

Government launches national app store

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operator, will be able to upload their apps to this platform," Palak said.

The ICT Division will work to provide income tax exemption for developers and abolish VAT on apps.

BD Apps is the largest mobile application platform in Bangladesh. Application developers can market their innovative applications on this platform to local smartphone subscribers.

"This partnership aims to boost ICT innovation and develop entrepreneurship," he added.

Bikarna Kumar Ghosh, additional secretary of the Ict Division, and Mahtab Uddin Ahmed, managing director and CEO of Robi, signed the agreement at a ceremony at the ICT Division in Dhaka's Agargaon area.

The arrangement is set to last for five years with the option of extension.

With the world on the brink of the fourth industrial revolution, the job market will soon transform as the need for physical labour will be eliminated, giving rise to the demand for digital skillsets.

And so, both Robi and the ICT Division are keen to formulate and modify developer-friendly policies to encourage entrepreneurship and digital skillsets among the country's youth.

To promote app development, BD Apps is bringing the country's first wizard-based Android app development solution.

"We are also delighted to announce that BD Apps is launching a seed funding programme for its developers to facilitate their initial marketing investments," Ghosh said.

"We request our government to allow tax waivers for these amateur, young and qualified developers to accelerate these start-ups and create a nationwide wave for an innovation-centric economy," he added.

Ahmed Arman Siddiqui, executive vice president of VAS and new business for Robi; Anamika Bhakta, executive vice president or corporate affairs and media communications; and Sharif Shah Jamal Raj, vice president of public affairs, were also present.

Disney to close 60 North American stores in 2021

AFP, *Los Angeles*

Disney announced Wednesday that it will close at least 60 of its North American stores this year in order to focus on its online sales activities.

The closures are only a first step, with the world's number one entertainment company emphasizing in a statement that it intends to "significantly reduce its brick-and-mortar footprint" in order to focus on e-commerce.

"While consumer behaviour has shifted toward online shopping, the global pandemic has changed what consumers expect from a retailer," said Stephanie Young, Disney's head of consumer products, games and publishing, in the statement. Disney hopes next year to develop its "shopDisney" sales platform, and expand its integration with mobile apps dedicated to its theme parks and with its social media presence.

IFAD Autos gearing up to enter luxury bus assembly segment

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In the last six years, around 3,000 units of buses have been sold on an average every year, and 600 of them were air-conditioned ones, he said.

IFAD Autos believes around 1,000 units of AC buses will be sold a year in the next three years.

An increasing number of automobile retailers are now setting up commercial vehicle assembling plants, and some are also getting involved in building of bodies of luxury buses, which will strengthen the local market and reduce their prices.

The demand for luxury buses has been annually increasing at around 20 per cent for the last five years, said the managing director of IFAD Autos.

The price of locally assembled air-conditioned bus would be Tk 56-80 lakh, while the imported one will cost around Tk 1.3 crore, he said.

The price of each of the local non-air-conditioned bus is around Tk 35 lakh, which hovers around Tk 45 lakh for the foreign ones, he said.

The customs duty makes the imported ones costly, he said.

India's Tata, Eicher, Japan's Hino, Volvo of Sweden and Hyundai of South Korea are the other market players in the local commercial vehicles segment.

Iftekhar Ahmed Tipu, chairman of IFAD Autos, was also present.

Retain undisclosed money investment scope in stock markets

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"This special tax treatment facility may be extended up to June 30, 2022," it said, urging the NBR to cut the rate to 5 per cent.

On behalf of the BAB, Parvez Tamal, chairman of NRBC Bank, said the rate of corporate tax for banks was very high, although the banking industry played a key role in the economic development of the country.

The BMBA demanded a cut in corporate tax for listed companies to 20 per cent from 25 per cent to encourage more firms to go public.

The association said the existing gap of 7.5 percentage points in the tax rate between listed and non-listed companies does not provide enough incentive to firms listed with the stock exchanges.

Only 325 companies are listed at the stock exchange, although the number of registered companies is more than 150,000 in Bangladesh, according to the BMBA proposal presented by BMBA President Md Sayadur Rahman.

The BMBA also wanted a reduction in the tax rate for merchant banks to 25 per cent from 37.5 per cent.

The DSE said companies to be listed on the SME board of exchanges may be offered concessional tax rate for a period of five years from the date of listing.

"This type of companies may not be encouraged to be listed due to huge disclosure requirements. Moreover, tax collection from these companies is not significant."

"If such companies are given concessional tax rate, they will be encouraged to go public, and in the long run, the tax collection of government will increase."

Cut cost of doing business to compete in post-LDC era

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Rahman was presenting a keynote paper at a dialogue on "Moving out from the LDC group: Strategies for graduation with momentum", organised by the CPD. It was attended by a minister, government high-ups, researchers, policy-makers, exporters, and business people.

He called for taking measures, including making active pharmaceuticals ingredient (API) parks functional soon so that Bangladesh can keep producing cheap life-saving drugs after graduation.

Locals will have to buy insulin at eight times higher prices from the current level after the expiry of the agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPs). Prices of medicines will also go up in the local markets after graduation, he said.

Bangladesh took a Tk 100-crore project to develop an API park in 2008. The park is expected to be operational from 2023.

"The completion of the API park is very important. Otherwise, the pharmaceuticals industry will be in big trouble along with the local people," Rahman said.

Local pharmaceuticals companies need to import $1 billion worth of raw materials in the absence of an API park.

The Tk25,000-crore local pharmaceuticals industry meets more than 95 per cent local demand and exports medicines worth $130 million annually.

The trade expert called for opening a negotiation cell under the commerce ministry to make the country competitive.

"Preparations should start now so that after 2026, we don't find one fine morning that nothing has been done to compete after graduation."

Some 70 per cent of Bangladesh's global exports are covered by preferential access, one of the highest in the world. So, Bangladesh is going to face the highest rise in tariffs among the 12 graduating LDCs.

Rehman Sobhan, chairman of the CPD, said Bangladesh had been celebrating pre-matured graduation as the final graduation did not take place yet.

The United Nations Committee for Development Policy (UN CDP) recommended Bangladesh for graduation as the country has fulfilled all three criteria.

"Bangladesh has statistically graduated. But the country needs to be graduated in the real world," said Prof Sobhan.

After graduation, Bangladesh is going to compete with Vietnam, China and India. "But, the question remains how much Bangladesh would be able to compete with these countries?" he said.

The pharmaceuticals industry will face a big challenge as Bangladesh will lose the TRIPs facility after graduation, Prof Sobhan said.

He suggested diversification of the economy and technological upgradation.

An extension of the Everything but Arms (EBA) scheme of the EU is required at least for 7-10 years to sustain the desired growth, said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The EU accounts for 61 per cent of Bangladesh's exports. The country does not have to pay any duty.

The impact of Covid-19 and Bangladesh's endeavour towards global peace-keeping and humanitarian response measures like sheltering of Rohingya refugees, women empowerment and combating terrorism should be considered with due importance, Huq said.

Bangladesh's economic growth has been suffering a sharp downturn following the outbreak of Covid-19, which has reversed years of economic development and has made Bangladesh's businesses heavily dependent on the EBA to survive, she also said.

"The EBA is critical for Bangladesh to promote economic and societal progress, and devote resources to achieve significant policy objectives praised by the EU, including advancing human and labour rights."

Terminating the EBA without taking into account the vulnerabilities of the country and the detrimental effects it will have on the economy and people runs contrary to EU fundamental principles, the BGMEA chief said.

Huq said extending Bangladesh's access to the EBA scheme was consistent with the prior practice of both the EU and other major economies, which made sure the countries graduating from the LDC group had adequate time to transition and adjust to the new trade landscape without suffering from any significant export losses.

A Matin Chowdhury, a former president of the Bangladesh Textile Mills Association, said Bangladesh faced various challenges earlier.

For instance, the textile and garment industry faced the Multi-Fibre Arrangement (MFA) in 2005 when the quota system phased out. After the MFA, Bangladesh started investing in backward linkage industries heavily and had overcome the difficulties, he said.

Chowdhury, also the managing director of Malek Spinning Mills Ltd, called for opening up foreign investment in the high-end textile and garment sector for bringing technology knowhow and ensuring greater market access in the post-LDC period.

"We also need to improve labour relations," he added.

Md Shahriar Alam, state minister for foreign affairs, said some new opportunities such as more foreign loans at affordable rates and more foreign direct investment would come to Bangladesh as graduation would improve the country's image.

The government has formed a high-powered team to formulate a strong strategy roadmap for the transition period and to face challenges in the post–LDC period, he said.

Tuomo Poutiainen, country director of the International Labour Organisation, Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, and Kazi Nabil Ahmed, a member of the parliamentary standing committee on the ministry of foreign affairs, also spoke.

BCI demands 3-year tax holiday for small industries

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The chamber demanded the withdrawal of the tax at source on the import of industrial raw materials and scrapping of value-added tax on all utilities.

It called for VAT holiday if light engineering industries manufacture and sell machinery and VAT exemption on the imports of industrial raw materials.

Chowdhury said Bangladesh should reform customs and tax structures to put in place an investment- and industrial-friendly permanent tax and customs systems for national interests and for a smooth transition from the category of least-developed countries.

It sought to raise advance income tax, supplementary duty and regulatory duty on imported finished products. A 10 per cent regulatory duty should be imposed on the products that are yet to see such fiscal measure, the chamber said in a press release.

Data on the prices of goods and products should be collected regularly, and tax should be imposed in line with the rates. Besides, scanners and automatic weighing machines should be installed at all ports to put an end to the import of products through under-invoicing and mis-declaration, the BCI said.

In the industrial sector, the upper ceiling for annual taxable turnover should be raised to Tk 10 crore from Tk 3 crore. The turnover tax should be brought down to 3 per cent from 4 per cent.

"The scope to generate more VAT and create jobs is high in the industrial sector. The sector helps the economy earn foreign currencies through exports and save foreign currencies through reducing imports," said Chowdhury.

The entrepreneur also called for granting rebates to encourage investment and industrialisation in the northern region and other impoverished parts of the country to ensure regional development and keep the wheel of the economy moving.

The BCI demanded an increase in the tax-free income limit to Tk 4 lakh, taking into account inflation and living costs. It called for granting investment and income tax holiday to encourage technical and vocational course.

According to the chamber, the private sector accounts for about 64 per cent of health service in Bangladesh. In order to modernise the private health care segment, a separate budget should be unveiled, it said.

All investment directed at research and skills development should be tax-free, it said.

BCI Vice-president Priti Chakraborty and Director Shahidul Islam Niru were present during the meeting.

Govt moves to rein in illegal battery recycling

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It also directed firms to get no-objection certificates from the DoE to import batteries.

The regulatory measures come at a time when the rapid expansion of electric three-wheelers has opened up substantial business opportunities for battery manufacturers and traders in Bangladesh.

The annual sale of batteries amounts to about Tk 8,000 crore, and electric three-wheelers account for more than 60 per cent of it, according to industry insiders.

They estimate that around 10 lakh electric three-wheelers are currently in operation, requiring nearly 25 lakh to 30 lakh batteries annually.

These vehicles have created jobs for 15 lakh people and carry nearly one crore of people every day, Moin said earlier.

Syed Samiul Haq, managing director of Japan Solartech (Bangladesh), a manufacturer of Japanese brand Yuasa battery, said the government's decision would help protect the environment.

The government should strictly monitor whether recyclers follow the rules or not, he said, adding that the initiative of the government would turn effective if a proper implementation can be ensured.